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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, October 30

NIKKEI (Page 2) (Full)

October 31, 2007

09:01

Attended a cabinet meeting in Diet. Chief Cabinet Secretary Machimura remained. Afterwards, met with LDP Secretary General Ibuki.

10:03

Met with DPJ President Ozawa, joined by Ibuki and DPJ Secretary General Hatoyama and others.

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11:44

Met with Machimura at Kantei. Later, met with Deputy Chief Cabinet Secretary Ono.

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13:00

Attended a session of the Council for Gender Equality at Kantei. Afterwards, met with MOFA Foreign Policy Bureau Director-General Kawai and Defense Ministry Operational Bureau Director General Takamizawa.

19:12

Arrived at his private residence in Nozawa.

4) Vice foreign minister meets with US ambassador to report on recent visit to US

MAINICHI (page 5) (Full)

October 31, 2007

United States Ambassador to Japan Thomas Schieffer and Vice Foreign Minister Shotaro Yachi met at the Foreign Ministry for about 40 minutes yesterday. Yachi explained his recent meeting with Deputy Secretary of State Negroponte and other US government officials in

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the US. The two reportedly also exchanged views on such issues as delisting North Korea as a state sponsor of terrorism and prospects for the ongoing Diet deliberations on the government's antiterrorism special measures bill.

5) MSDF fuel supplied in Persian Gulf as well

ASAHI (Page 4) (Full)

October 31, 2007

In connection with the Maritime Self-Defense Force's refueling activities in the Indian Ocean, the MSDF has supplied fuel twice in the Persian Gulf, sources revealed yesterday. It is the first time the MSDF has been found to have supplied fuel in the Persian Gulf. According to the Defense Ministry, the MSDF's fuel supplied in the Persian Gulf was not used for any purposes other than those under the Antiterrorism Special Measures Law. "The fuel we supplied was used for Operation Enduring Freedom (OEF) against terrorism," an official of the Defense Ministry said.

The Defense Ministry briefed the leading opposition Democratic Party of Japan (Minshuto) in a meeting of its foreign affairs and defense divisions yesterday on where and how often the MSDF provided fuel.

According to the data shown by the Defense Ministry, the MSDF conducted a total of 777 fuel supplies up until the end of August,

including twice in the eastern waters of the Persian Gulf. The Defense Ministry explains that the two fuel supplies were conducted in or after 2004, well after May 2003 when major conflict ended in Iraq, and that the supplied fuel was not used for military operations in Iraq. The Defense Ministry has not revealed the nationalities of vessels refueled by the MSDF.

The government, in its masterplan created under the antiterror law, describes the scope of MSDF activities "in the Indian Ocean (including the Persian Gulf)." As seen from this description, the government had anticipated MSDF activities in the Persian Gulf from the start.

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In addition to those fuel supplies in the Persian Gulf, the MSDF conducted 613 fuel supplies in the Gulf of Oman, 129 in waters north of Somalia and in the North Arabian Sea, 28 in Aden Bay, 3 in the middle of the Indian Ocean, and 2 in waters off Mumbai.

6) 2 MSDF destroyers' logbooks also discarded

ASAHI (Page 30) (Full)  
October 31, 2007

The Maritime Self-Defense Force discarded a logbook of the Towada, a supply ship engaged in refueling activities in the Indian Ocean. In this connection, the MSDF's staff office revealed yesterday that two other destroyers' logbooks had been also discarded during their retention period provided in the MSDF's internal rules. The MSDF is mulling whether to punish those involved. At the same time, the MSDF will study how long and where to retain logbooks, including permanent filing.

The Maritime Staff Office discovered that the Towada's logbook for the period from July 2003 through December 2003 was mistakenly discarded in July this year. The MSDF therefore investigated a total of 261 MSDF vessels, including destroyers and submarines. The discarded logbooks recorded when and where the MSDF supply ships provided fuel and the names of vessels fueled by them.

According to the Maritime Staff Office, the logbooks discarded during their retention period belonged to two destroyers, including a logbook of the Mineyuki for the period of 11 months from October 2003. Those discarded logbooks have nothing to do with the MSDF's underway replenishment in the Indian Ocean, MSO sources said. The MSDF is looking into why those logbooks were discarded.

"We will check to see if there's no problem with the current way of filing documents," MSDF Chief of Staff Eiji Yoshikawa said.

7) Fukuda, Ozawa wide apart over "refueling"; With no settlement line in sight, second meeting set for Nov. 2

NIKKEI (Page 3) (Abridged slightly)  
October 31, 2007

The first meeting yesterday between Prime Minister Yasuo Fukuda and Democratic Party of Japan (DPJ or Minshuto) President Ichiro Ozawa ended without finding any common ground on the new legislation for continuing the Maritime Self-Defense Force's refueling operation in the Indian Ocean. The two leaders will meet again on Nov. 2. Neither the ruling nor the ruling camp has a winning hand to play in the divided Diet. Psychological warfare is likely to continue to find a political settlement line, including Lower House dissolution for a snap general election and a grand coalition by the Liberal Democratic Party and DPJ.

The face-to-face meeting between Fukuda and Ozawa, which was held in the standing committee chairmen's room on the third floor of the Diet building, lasted for about one hour. The first and last 10 minutes were joined by the secretaries general and Diet affairs chiefs of the LDP and DPJ. Although both Fukuda and Ozawa said that they had not touched on Lower House dissolution for a general election or a Diet extension, they concealed what they actually discussed.

The meeting was held at the request of Fukuda. With the current Diet session scheduled to end in less than two weeks, there is no prospect for the enactment of the new refueling legislation. During his planned visit to the United States in mid-November, Fukuda is expected to be pressed for an explanation.

#### Speculation for a grand coalition

The refueling legislation is not the only concern. If this situation persists, turbulence is certain to continue in the next regular Diet session, in which the government is expected to present over 100 bills.

Speculation is afoot that in order to find a breakthrough in the deadlocked situation, Fukuda in the meeting touched on the idea of forming a grand coalition with the DPJ. Former LDP Secretary General Hidenao Nakagawa yesterday implied to a grand coalition, saying: "The political situation is alarming. The question is how to resolve the lopsided situation in which people sharing the same idea belong to different parties. It is important to combine efforts for the sake of Japan's future."

Asked by the press about the idea of forming a grand coalition, Fukuda said: "We must come up with ways to move (the Diet). We haven't found them yet at this point."

Meanwhile, Ozawa attended a DPJ executive meeting last evening in which he simply described his meeting with Fukuda as a session with little substance.

Asked by a DPJ executive if something like homework cropped up, Ozawa elusively replied, "(The prime minister) seemed to be in a fix, not knowing what to do."

#### DPJ also at stalemate

Some observers attribute Ozawa's compliance with Fukuda's call for the closed-door meeting yesterday, despite a party-head debate being set for Oct. 31, to his deadlocked approach to the political situation.

Although the DPJ remains adamantly opposed to the continuation of the MSDF's refueling operation, the party is having difficulty in coming up with its own counterproposal. How far the party can keep high public support with oppose-everything policy course is unclear.

In the wake of a series of suspicions involving the Defense Ministry, some DPJ lawmakers are skeptical about Ozawa's decision to have the party-head meeting. Secretary General Yukio Hatoyama said to reporters, "I don't think it will do the DPJ any good."

A variety of speculations and cautious views are simmering in the ruling bloc about Fukuda-Ozawa talks. The dominant view is that what the prime minister can offer in exchange for the DPJ's cooperation for the new refueling legislation would be talks on a timeframe for Lower House dissolution for a general election as well as for forming a grand coalition.

Shortly before the Fukuda-Ozawa meeting yesterday, LDP Secretary General Bunmei Ibuki told those around him with a stern look: "If I let the prime minister slip into a pitfall, I will lose my job."

Ozawa is known for his cunningness in one-on-one sessions. Many ruling party lawmakers think that Ozawa would outmaneuver his opponent in a closed-room session.

#### New Komeito alarmed

The New Komeito, which distanced itself from Ozawa when his party

Shinshinto (New Frontier Party) fell apart, is especially alarmed at the talks between Fukuda and Ozawa. Secretary General Kazuo Kitagawa asked Fukuda to talk only about the new legislation for fear that he would refer to a timetable for Lower House dissolution and the grand coalition vision in return for the DPJ's cooperation on the new legislation. The New Komeito thinks the talks would put the ruling coalition at a disadvantage.

After his meeting with Ozawa, Fukuda called New Komeito Representative Akihiro Ota from his office to tell him not to worry.

Speculations and a sense of alarm also rocked the LDP. Upper House Secretary General Masaaki Yamasaki in a press conference yesterday

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criticized the meeting, saying: "It had a closed-door feature. I remain dissatisfied with it." Learning of Yamasaki's comment, Fukuda told reporters, "Calling it a closed-door meeting went too far." Diet Affairs Committee Chairman Tadamori Oshima also said disapprovingly: "The meeting was requested by this side. (Yamasaki's comment) needs a correction."

8) Full-scale debate on new refueling bill starts, effect of Fukuda-Ozawa talks?

TOKYO SHIMBUN (Page 2) (Full)  
October 31, 2007

Changing its stance of just pursuing scandals involving the Defense Ministry in sessions of the House of Representatives Social Committee on Antiterrorism, the main opposition Democratic Party of Japan (DPJ or Minshuto) yesterday carried out a full-scale debate with the government on the new antiterrorism special measures bill. This appears to be the effect of the first meeting between Prime Minister Yasuo Fukuda and DPJ President Ichiro Ozawa.

Only two of the seven DPJ lawmakers who questioned the government at yesterday's committee session brought up the scandal involving former Administrative Vice Defense Minister Takemasa Moriya. The remaining five lawmakers raised questions about the new antiterrorism bill, with Akihisa Nagashima asking, "A new law would allow only supplying oil. Is this all right?" A senior ruling coalition Diet Affairs Committee member praised the largest opposition party's approach, saying, "It was a forward-looking debate."

The DPJ had taken a position of not responding to deliberations after Oct. 31 unless the government promises to summon a responsible official for the cover-up of the Maritime Self-Defense Force's underreport of fuel amount to testify as an unsworn witness. The leading opposition party changed its position in a committee directors meeting yesterday, however. The DPJ agreed to hold question-and-answer sessions on Oct. 31 and Nov. 2, even though its demand for the unsworn Diet testimony has not yet been accepted.

Depending on the result of the second round of Fukuda-Ozawa talks

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slated for Nov. 2, however, the DPJ might take a hard-line stance again.

9) DPJ suddenly softens attitude in antiterrorism committee meeting after Fukuda-Ozawa talks

MAINICHI (Page 5) (Full)  
October 31, 2007

The House of Representatives' special committee on antiterrorism and Iraq support held a question-and-answer session yesterday in the presence of Prime Minister Yasuo Fukuda. The meeting came the day after former Vice Defense Minister Takemasa Moriya's testimony on alleged favors given to an interest party in return for having been treated to free golf, so many had anticipated that questions would be focused on Moriya's scandal. But the atmosphere was totally different because of the effect of the talks that had been held

early yesterday between the leaders of the Liberal Democratic Party (LDP) and the Democratic Party of Japan (DPJ). A number of members of the government and the DPJ made statements indicating a desire to grope for compromises.

DPJ members Issei Koga: "I have a suggestion. Sugar cane is produced in Afghanistan. How about making a plant (for biomass) there?"

Prime Minister Fukuda: "That is a very fine suggestion. Your idea is quite reasonable."

When Fukuda made the above remark in a modest way, laughter broke out.

In the meeting yesterday, DPJ members who took the floor as questioners criticized Moriya but asked questions mainly about the results of the Maritime Self-Defense Force's (MSDF) refueling mission in the Indian Ocean. Though they did not express their support for the mission, many of them tried to find common ground by asking about the government's basic views about the DPJ-proposed aid for people's livelihood and permanent legislation that provides for conditions for dispatching SDF troops overseas.

The DPJ had demanded just after the testimony of Moriya that the Diet should first of all carry out intensive deliberations on the alleged cover-up of misreporting of MSDF-provided fuel and summon the defense section chief of the Maritime Staff Office at that time to the Diet as an unsworn witness. But in an executive meeting of the said committee held yesterday noon, the DPJ laid aside the demand. The main opposition party also agreed to hold the committee's sessions on Oct. 31 and Nov. 1. An LDP member of the committee commented: "The DPJ's attitude suddenly changed after both parties decided to hold the party head talks. I cannot guess what is behind its about-face."

#### 10) Fukuda eyes creating permanent law for overseas missions

ASAHI (Page 4) (Abridged)  
October 31, 2007

Prime Minister Fukuda yesterday attended a meeting of the House of Representatives Special Committee on Antiterror Measures, during which he showed his strong willingness to establish a general or permanent law allowing Japan to send the Self-Defense Forces for overseas missions without creating a time-limited special measures

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law. "It's an important challenge for the future," Fukuda stated before the committee. "We will have to work out such an opportunity (for discussion) at an early date," he added. In the leading opposition Democratic Party of Japan (Minshuto) as well, there are strong voices desiring to establish a general law. Fukuda is presumably aiming for the DPJ's cooperation in the security area. He was replying to a question asked by Akihisa Nagashima from the DPJ.

#### 11) Moriya suspected of giving false testimony: Employees of Nihon Mirise found to have attended MSDF CX engine procurement meeting

SANKEI (Page 1) (Full)  
October 31, 2007

Sankei Shimbun has learned from several informed sources yesterday that questions arose in the Defense Ministry when an employee of Nihon Mirise, a firm set up by Motonobu Miyazaki (69), former executive director of Yamada Yoko Corp., a trading house specializing in defense procurement, was present at a meeting on the procurement of engines for the next-generation transport aircraft, codenamed CX by the Air-Self Defense Force (ASDF), and that details of the matter were reported to former Administrative Vice Defense Minister Takemasa Moriya. Regarding this issue, Moriya in his sworn testimony on the 29th noted, "I am not aware of the matter." Moriya is now suspected of having given false testimony because of this clear discrepancy.

According to a related source, the meeting in question was held to discuss the procurement of the CX engine. It was held in January

this year, joined by Defense Ministry officials in charge of the technical field and officials from Kawasaki Heavy Industries, which is developing the CX aircraft, and from General Electric (GE), a US CX engine manufacturer.

Nihon Mirise formally became GE's agent in July this year. However, GE's agent at the time was still Yamada Yoko. Therefore, Nihon Mirise was an outsider, because it did not have a contract relationship with GE at the time. The attendance of an engineer of Nihon Mirise was, therefore, became an issue in the ministry.

As a result of talks among Defense Ministry officials in charge and other officials closely connected with the CX engine procurement issue, the attendance of this engineer was approved as an interpreter for GE. According to several related sources, these details were reported to Moriya. He reportedly did not find the employee's presence a problem.

New Komeito lawmaker Shigeyuki Tomita questioned Moriya on this issue during his sworn testimony in the Lower House Special Committee on Prevention of Terrorism on the 29th. Pointing out the attendance of an official of Nihon Mirise, Tomita asked, "It would be impossible for an outsider to attend the defense meeting unless he obtained approval from a very influential person." Moriya replied, "I am not aware of that fact."

Since testimony given by Moriya is clearly different from testimony given by the informed sources, suspicion has arisen that he might have given false testimony.

The Diet Testimony Law stipulates that if a person summoned as a sworn witness makes false testimony, this person could be given a prison sentence from three months up to 10 years.

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12) Entertainment expenses for Moriya exceeded 1 million yen a month: Tokyo District Public Prosecutors Office obtains sales account books with eye on possible bribery

MAINICHI (Top Play) (Full)  
October 31, 2007

It was learned through related sources that former Administrative Vice Defense Minister Takemasa Moriya (63) was entertained by Motonobu Miyazaki (69), former executive director of Yamada Corp., a trading house specializing in defense procurement, at various posh clubs in Akasaka, Tokyo. It is said that Yamada Corp. sometimes spent more than 1 million yen a month on Moriya. The Tokyo District Public Prosecutors Office appears to have had those clubs submit sale account books on a voluntary basis. Public prosecutors presumably intend to shed light on the full picture of suspected payoffs given to Moriya, including free rounds of golf. They are now pressing ahead with their investigation with an eye on possible bribery.

According to related sources, Miyazaki entertained Moriya at posh clubs in Akasaka for many years. Two clubs operating in buildings located side-by-side were reportedly used frequently. Miyazaki spent up to 1 million yen a month at one club alone. The wife of Moriya also joined Miyazaki and Moriya frequently and enjoyed karaoke. Miyazaki reportedly entertained other senior Defense Ministry officials at clubs as well.

Public prosecutors have reportedly confirmed these facts and had those clubs submit sales account books going back several years on a voluntary basis. They appear to be investigating details of the entertainment of Moriya by Miyazaki, examining the data.

Moriya during sworn testimony on Oct. 29 categorically admitted that he was invited to golf by Miyazaki more than 200 times. He also testified that he was given a set of golf clubs and paid for his golf tours to Hokkaido and Kyushu, which he went with Miyazaki.

It has been found that Moriya chaired the Council on Equipment Screening to select a supplier of the CX engine in 2003, when he was

a vice administrative defense minister, and selected GE, for which Yamada Corp. served as its Japan agent.

Under such circumstances, public prosecutors are carefully investigating the case, suspecting that Moriya might have considered Miyazaki's advantage in return for receiving illegal payoffs, including a large sum of treatment of free rounds of golf and wining and dining.

13) Prime Minister Fukuda putting in serious effort to revise the discretionary-contract system, aware of DPJ concerns; Possibility of a third-party oversight

TOKYO SHIMBUN (Page 2) (Excerpts)  
October 31, 2007

Prime Minister Fukuda has begun to make a serious effort to revise the system of discretionary procurement contracts (for which there is no open bidding), considered to be a hotbed for collusion between the bureaucracy and private sector. Within the week, a liaison conference of concerned ministries and agencies will meet in order

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to tighten up a lax system.

The prime minister in an informal meeting yesterday of his cabinet announced: "We need to thoroughly look into government waste and get rid of it." He ordered that a third-party oversight panel be established in each ministry and agency, and that the Internal Affairs Ministry create a government-wide oversight system.

14) Prime Minister Fukuda enthusiastic about creating new rules for managing Diet affairs, aims to reach agreement with DPJ President Ozawa

YOMIURI (Page 1) (Full)  
October 31, 2007

Prime Minister Yasuo Fukuda last night expressed his desire to reach an agreement to create new rules for managing Diet affairs and a cooperation system with Ichiro Ozawa, president of the main opposition Democratic Party of Japan (DPJ or Minshuto), in their planned second talks slated for Nov. 2. He told reporters at the Prime Minister's Official Residence: "I will make efforts to break in some way the present Diet situation (where the two separate parties are the largest party in the two Diet chambers)."

Fukuda emphasized: "The (Diet) is now in a new situation. Under such a situation, various approaches are necessary to conduct politics." Asked about whether to set up consultative organs between the ruling and opposition camps and between the government and the opposition bloc, he responded: "I will have to discuss (with Ozawa) that issue."

In yesterday's party-head talks, Fukuda told Ozawa:

"We should consider a new way of pushing forward with politics under the present political distortion, in which the ruling camp has a majority in the House of Representatives while the opposition controls the House of Councillors."

The prime minister expects that there will be a positive response from Ozawa in their second meeting.

The DPJ and the ruling Liberal Democratic Party (LDP) are now carrying out coordination to put off today's one-on-one debate between Fukuda and Ozawa to Nov. 7.

15) Justice Minister Hatoyama comes under fire for al-Qaida comment; Prime minister says, "Inappropriate"

YOMIURI (Page 2) (Full)  
October 31, 2007

In a Diet interpellation session yesterday, Justice Minister Kunio Hatoyama drew stinging criticism for his remark at the Foreign

Correspondents' Club of Japan on Oct. 29 that a "friend of a friend" of his was a member of the al-Qaida terrorist network.

Akihisa Nagashima of the largest opposition Democratic Party of Japan (DPJ or Minshuto), in a session yesterday of the House of Representatives Antiterrorism Special Committee, demanded the dismissal of Hatoyama, saying: "He said it at the Foreign Correspondents' Club of Japan of all places. It is as if to say he wanted to dispatch (misunderstanding) to the world."

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Prime Minister Yasuo Fukuda, meantime, said: "The place where he spoke, the contents of his remarks are extremely bad and inappropriate." Regarding also to Hatoyama's comment that (al-Qaida members) had entered Japan many times, Fukuda said in a strong tone: "The justice minister is in a position to crack down on such persons. Full investigations should be conducted. I urge him to do so." Chief Cabinet Secretary Nobutaka Machimura also said: "He made an inappropriate comment at the time when news flies all over the world."

In a House of Councillors Judicial Affairs Committee meeting, Nobuo Matsuno of the DPJ pointed out: "It can't be helped that other countries think the Japanese justice minister is a friend of a terrorist indirectly. It's inevitable that he is being criticized for making a careless comment." Hatoyama, however, stressed: "I reflected on my comment, but I just spoke what I saw and heard."

16) ROK apologizes to Japan regarding diplomatic settlement of abduction of Kim Dae Jung

ASAHI (Page 1) (Full)  
October 31, 2007

South Korean Ambassador to Japan Yu Myung Hwan yesterday met with Foreign Minister Koumura at the Foreign Ministry and expressed regret for South Korea's violation of Japan's sovereignty for its involvement in the abduction of (former South Korean President) Kim Dae Jung and offered a de facto apology to Japan. This move came in response to a South Korean government panel's report released on Oct. 24, in which South Korea acknowledged that the Korean Central Intelligence Agency (KCIA) was involved in the abduction of Kim. Late yesterday, Prime Minister Fukuda told reporters, "I think we don't have to pursue the case beyond this," indicating that he would put an end to the case diplomatically.

The abduction of Kim, which rocked both Japan and South Korea, ends up 34 years later without giving a full picture of the case, including whether the purpose of the abduction was to kill Kim or whether then President Park Chung Hee gave an order for the abduction.

In the session with Yu, Foreign Minister Koumura said, "We take it as an apology and a promise to prevent a recurrence of a similar case." Koumura conveyed to Yu: "As for investigations, investigators will make a decision whether to continue them or not." But the investigations have in effect stopped, as investigators need cooperation from South Korea.

Meanwhile, visiting Kim Dae Jung yesterday met reporters in Kyoto and expressed dissatisfaction: "(The report) failed to shed light on the truth." Kim sharply criticized the Japanese government, saying, "It violated my human rights." Kim thus made his first comments on the report since it was released.

In the 1970s, the Japanese and South Korean governments tried to politically settle the abduction of Kim twice in a way not to bring charges against the South Korean government. This time, however, the South Korean government acknowledged that the KCIA had been involved in the case. This means that "the previous basis for the political settlement has now collapsed," said a senior Foreign Ministry official.

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Tokyo, however, previously decided to settle the case if South Korea offered an apology to Japan for its violation of Japan's sovereignty and without making a diplomatic issue.

17) Abduction of Kim Dae Jung: Kim expresses strong dissatisfaction with Japanese government, noting "I was very disappointed with Japan"

ASAHI (Page 30) (Excerpts)  
October 31, 2007

Yoshikazu Hirai and Akihiko Kaise

"I was very disappointed with Japan," former South Korean President Kim Dae Jung, who had been abducted (by KCIA agents) in Japan 34 years ago, yesterday said in Kyoto he was visiting at present. Speaking of a report concerning a reinvestigation into the abduction case, which was released recently, Kim expressed his feelings. His words reflected his strong dissatisfaction with the Japanese government, for reaching a political settlement with South Korea.

Appearing in a conference room with the help of a cane, Kim sat down with a smile. But when questions relating to the abduction were posed, Kim altered his facial expression and turned stern throughout the conference.

Kim insisted that the purpose of the abduction was to kill him and that obviously then President Park Chung Hee gave the abduction order. Kim reiterated that the Japanese and South Korean governments were both "responsible for shedding light on the abduction case," adding, "Those who are responsible should take responsibility."

What was felt from his expression was his disappointment at the fact that the abduction incident that put his life in peril was hushed up owing to a political settlement between the two governments. Kim became notably excited when he talked of the response by the Japanese government. "The Japanese government abandoned its responsibility to protect me," Kim said and noted that Japan did not demand that South Korea allow Kim to leave that country.

A death sentence was passed on Kim in 1980. In this regard, Kim criticized the Japanese government, by saying, "I expected the Japanese government to save my life, but it did not do anything to do so." Kim added that he would like to hear about the Japanese government's comment on this matter and continued, "It's hard for me to express how much I expected (the Japanese government's action) and I was disappointed (at the Japanese government) at the time. I was really sad."

SCHIEFFER